



ARIZONA STATE SENATE
Fifty-Third Legislature, First Regular Session

FINAL AMENDED
FACT SHEET FOR H.B. 2191

~~child support; administrative order; enforcement~~
(NOW: angel investor; tax credit cap)

Purpose

Allows the Arizona Commerce Authority (ACA) to authorize an additional \$10 million in tax credits against qualified investments made in qualified small businesses after June 30, 2017 through June 30, 2021.

Background

Current law allows the Arizona Department of Revenue (DOR) to certify up to \$20 million in tax credits against taxes imposed on investments in qualified small businesses and grants the ACA authority to determine the amount of the credit. If the qualified small business has its principal place of business in a rural county or is a bioscience enterprise, the allowable tax credit is 12 percent of the amount of the investment per year for the first and second taxable years and 11 percent of the amount of the investment for the third taxable year after the year in which the investment was made. If the business is not located in a rural county or is a bioscience enterprise, 10 percent of the investment for the three taxable years after the year in which the investment was made will be the allowable credit ([A.R.S. § 41-1518](#)).

Qualified investors must file an application with the ACA within 90 days after making a qualified investment. The application must include the name, address and federal income tax identification number of the applicant and the name and federal tax number of the small business that received the investment. The investor and business must authorize the ACA to receive tax information from DOR to verify the application. The ACA must approve or disapprove the application within 90 days after receiving it ([A.R.S. § 41-1518](#)).

A qualified small business is a corporation, limited liability company, partnership or other business entity that maintains at least a portion of its operations in Arizona, has at least two principal full-time equivalent employees located in the state and has total assets not exceeding \$2 million through December 31, 2011 or \$10 million beginning January 1, 2011, excluding any investment made under this statute.

The fiscal impact to the state General Fund associated with this legislation would be equivalent to \$10 million in reduced income tax revenue up to the \$2.5 million annual cap, plus any unused credit capacity carried over from the preceding fiscal year or years. According to the Joint Legislative Budget Committee, insofar as the bill induces investments that would not have occurred otherwise, it would generate offsetting tax revenue from the increased economic output. Such secondary impacts, however, cannot be determined in advance.

Provisions

1. Allows the ACA to authorize an additional \$10 million in tax credits for qualified investments made in qualified small businesses.
2. Specifies that the tax credits, in addition to any unused credit capacity carried over from preceding years, may only be issued in an amount not exceeding \$2.5 million each fiscal year from June 30, 2017 through June 30, 2021.
3. Makes conforming changes pertaining to the new allowable amount of certifiable tax credits.
4. Makes technical changes.
5. Becomes effective on the general effective date.

Amendments Adopted in Committee

- Adopted a strike everything amendment related to angel investor tax credits.

Senate Action

FIN	3/22/17	DPA/SE	6-1-0
3rd Read	5/08/17		21-7-2

House Action

Final Read	5/10/17	32-20-5
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Signed by the Governor 5/22/17
Chapter 319

Prepared by Senate Research
May 25, 2017
FB/ZD/jn